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SIPDIS

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SUBJECT: ROMANIAN EU ACCESSION NEGOTIATIONS GOING DOWN TO THE WIRE

Classified By: Rick Holtzapple, PolOff, Reasons 1.4 (B/D)

SUMMARY

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11. (SBU) The European Commission has recommended against closing the competition chapter of Romania's accession negotiations because of concerns over state subsidies. No American companies are believed to be involved in any of the major cases of concern. The EU might miss its self-imposed deadline of the end of 2004 for concluding negotiations. If the talks drag too far into 2005, it could even mean delay of Romania's planned EU entry date of January 2007. END SUMMARY.

12. (C) We spoke with Dirk Lange, the European Commission's Head of Unit for Romania, on December 7 about the state of play in Romania's accession negotiations. Lange said that it was still unclear whether Romania would be able to conclude successfully all of its negotiations for EU accession prior to the December 17 European Council meeting. Negotiations between the GoR and the EU's Council and Commission continue "nearly every day", Lange said (another session is being held Dec. 8), and he has "not given up hope that we can conclude by the end of the year."

13. (C) Lange said that both remaining open chapters, justice and home affairs (JHA) and competition, were difficult. On JHA, the Commission had recommended to EU Member States in the Council that Romania's most recent commitments on application of the EU's body of law (the "acquis communautaire") in this area was adequate and the chapter could be closed. But the Council had yet to reach a final decision. Competition was more difficult, and the Commission's most recent recommendation to the Council a couple of weeks ago stated this chapter was not yet ready for closure. Lange explained that under candidate countries' "Europe Agreements" with the EU, states such as Romania were already obligated to conform to EU law. But the Commission needed to see evidence that Bucharest was correctly applying it, and these concerns were not yet met, particularly in the field of state aid or subsidies to companies. Lange said a number of specific state aid cases were of concern, involving both EU and non-EU companies, but he was not aware of any that involved U.S. firms.

14. (C) Lange told us that some Member States had disagreed with the Commission's recommendation not to conclude accession negotiations with Romania. He did not name any, but media reporting indicate that at least France and Italy have been pushing to let Romania in. In the end, the Council could override the Commission's objections and decide to close the competition chapter in any case (although this is made more difficult politically by the fact that competition policy is one of the areas where the Commission has the greatest authority within the EU). He could not predict how events would unfold in the coming days, but was sure that even if the negotiations were finished this month, Romania would be subject to very close monitoring by the Commission all the way up to its planned accession, alongside Bulgaria, in January 2007. (NOTE: The Accession Treaty for Romania and Bulgaria -- which despite suggestions from the European Parliament is still planned to be a single treaty -- will include a clause stating that if the Commission finds a failure to meet accession obligations, and the Council agrees, either country's entry to the EU could be postponed by up to a year. END NOTE.) Lange added, however, that even if negotiations stretched into 2005 there could still be time to prepare, sign and ratify an Accession Treaty prior to that entry date.

COMMENT

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15. (SBU) Romanian diplomats in Brussels are putting a brave face on developments; expressing confidence they will finish negotiations prior to December 17. But they are very disappointed it has come down so close to the wire. While there is a strong desire among the EU-25 to finish "the current round" of EU expansion to 27 members this year and not drag the process out, many Member States also worry about setting any precedent for future negotiations (i.e., Turkey) if Romania is given too much benefit of the doubt in the final stages of its accession process.

MCKINLEY